



Richard Cluver Predicts

In our 33rd year of service to the investing public



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So, the major question I have been pondering all this week is whether or not the Coronavirus outbreak in China is the “Black Swan” event that I predicted in my latest book, The Crash of 2020? On present signs it is not but don’t hold your breath!

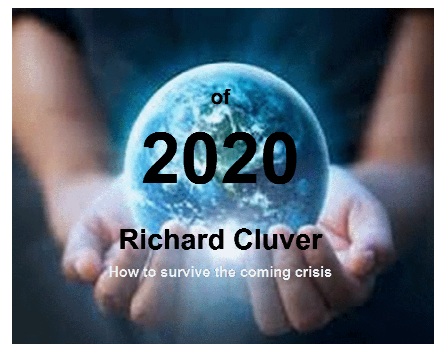
Certainly, it has all the makings of such a catastrophe. It is now officially in Tibet, thereby making its outbreak complete throughout every region of China with at least 170 people so far dead and over 7,700 people are believed to be infected in China alone.

To date close to 200 deaths have been reported globally and the World Health Organisation today ruled that the virus is indeed a global emergency.

A Black Swan in economic language is an unanticipated crisis of sufficient magnitude to precipitate a catastrophic global consequence and, as I warned in my book, the world currently sits with an unprecedented level of debt of massive proportions: a potential crisis of unimaginable proportions. Our choice has long been between releasing the debt pressure via a painful slow puncture period of global austerity or a catastrophic market-crashing blow-out that could unleash something akin to the 1929 Great Depression. To date the world’s monetary authorities, appear to have given little attention to the former option which has lately begun raising fears that a spectacular crash is a growing probability.

Despite the reassurances of our own medical authorities here in South Africa, a discussion I had with a medical expert this week was sufficient to alert me to the probability of an unprecedented health crisis in this country. Since the greatest risk of such viral outbreaks is to people who have compromised immune systems, we need to recognise that South Africa is the epicentre of the HIV epidemic and since we have more than one in five South Africans living with the disease, we have to face up to the probability of catastrophe. Since, furthermore, our chaotically-managed public health system is acknowledged not to be coping under normal circumstances, by what stretch of the imagination might one expect that it would be able to cope with a major epidemic?

The Crash



You can order The Crash on line by clicking on the following reference:

http://www.rcis.co.za/ebook/the-crash-of-2020/?task=direct_order

In my graph below, ShareFinder's analysis of Hongkong's Hangsen Index has so far resulted in a deeper decline at this stage and has postponed the major correction to early 2021.

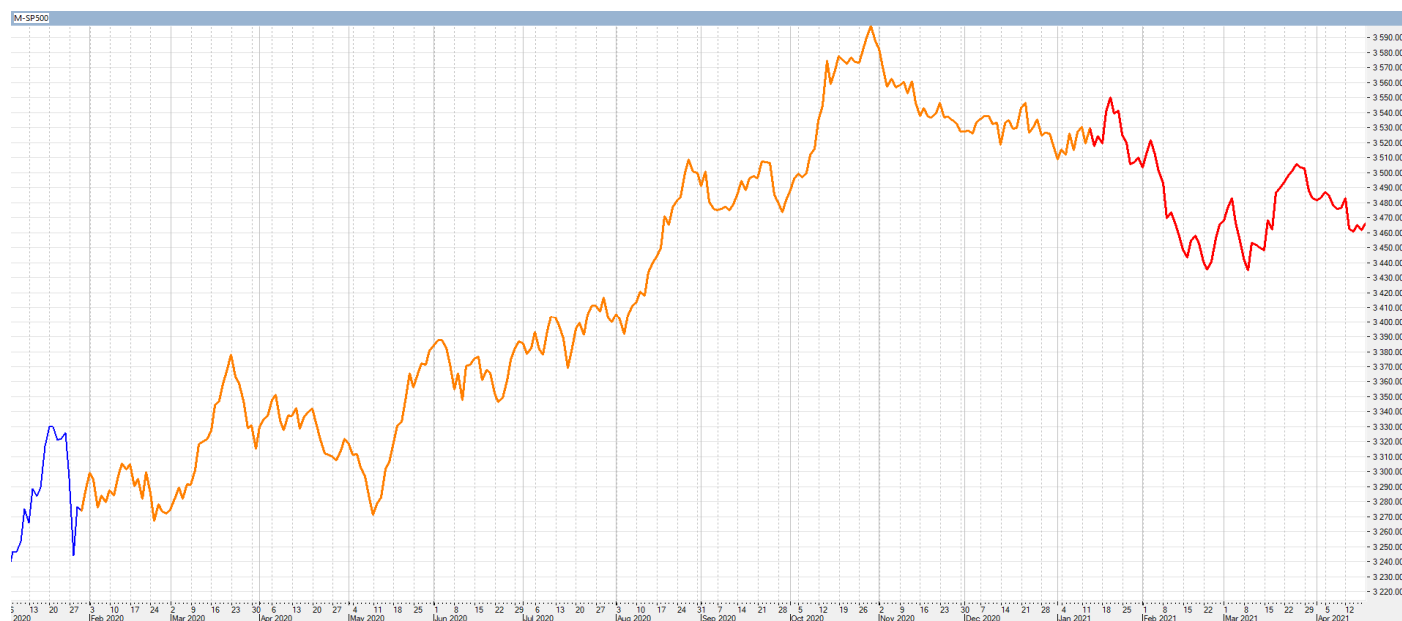
The semi-autonomous region was always going to face a huge challenge holding back the present corona virus outbreak raging on the mainland, but deep mistrust built up over seven months of protests in the city is making that task even harder.

The outbreak left Lam facing a strikingly similar situation to one of her predecessors, Tung Chee-hwa, who in 2003 found himself grappling with an uprising against China-backed national security legislation and an outbreak of severe acute respiratory syndrome, the SARS virus that ended up killing almost 300 people in Hong Kong. Tung later resigned — something Lam has so far refused to do, despite having even lower poll numbers.

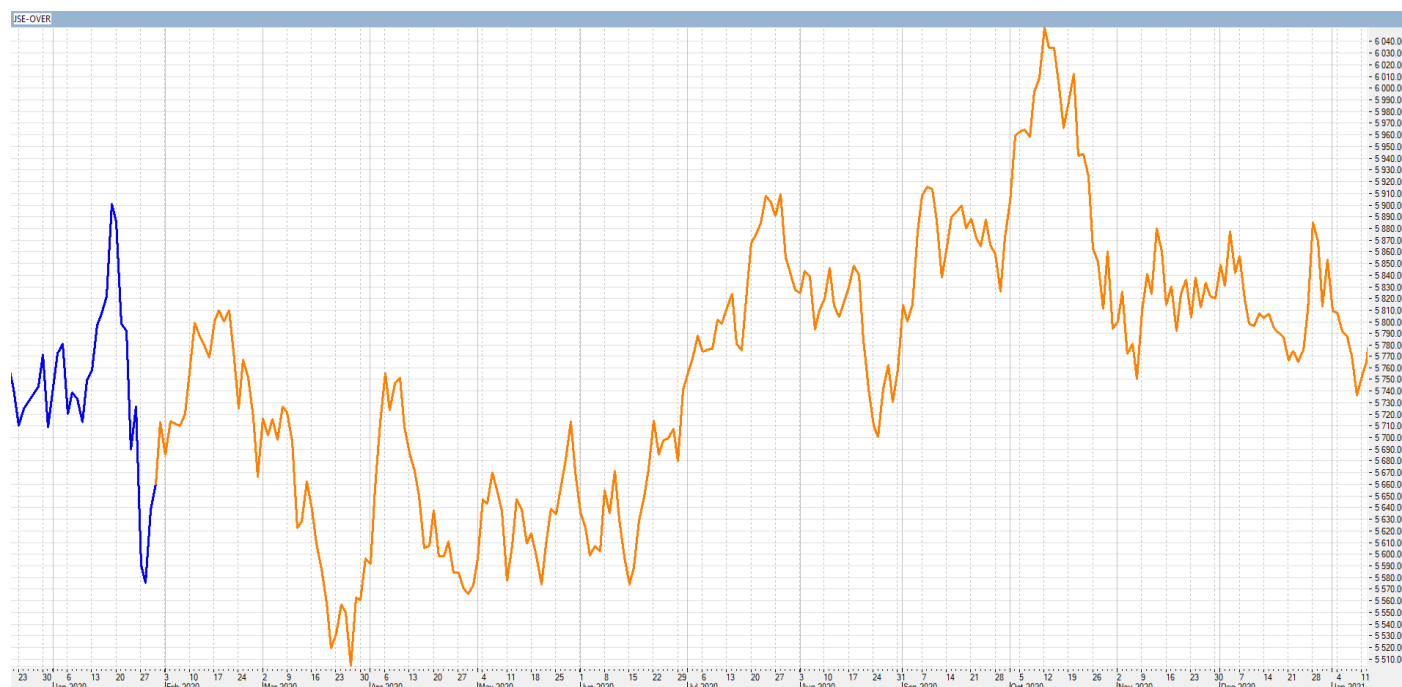
The chart displays the price of M-HANGSEN over a 15-month period. The price begins at 257.00 in January 2020, reaches a local peak of 259.00 in early January, and then falls to 255.00 by early February. It then enters a steady upward trend, reaching a high of 285.00 in early April. Following this peak, the price declines to 270.00 by June 2021.

Date	Price
2020-01-01	257.00
2020-01-13	259.00
2020-02-03	255.00
2020-03-01	258.00
2020-04-01	285.00
2020-05-01	275.00
2020-06-01	270.00

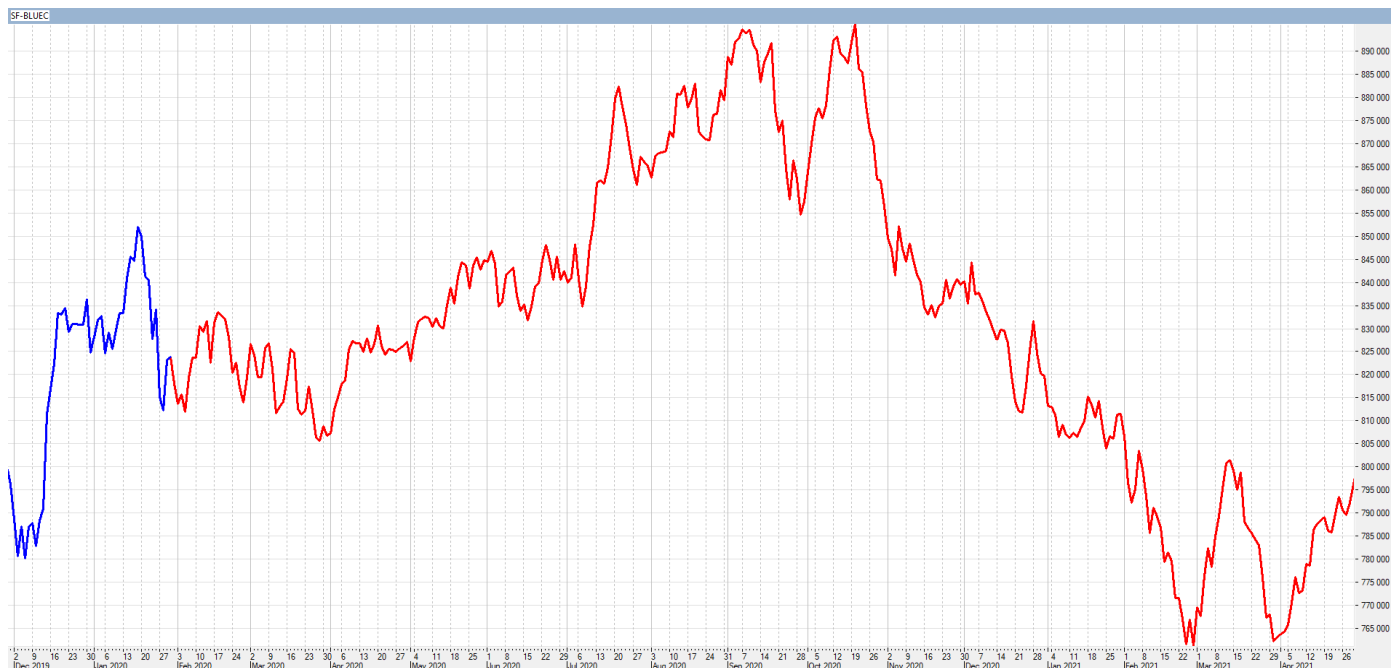
But the tail that wags the dog; New York's S&P500 Index is still projected to continue its untroubled upward climb until the end of October before entering a significant phase of weakness through to February/March next year:



South Africa, of course, has its own set of unpleasant potential outcomes of which not the least is an impending ratings agency downgrade, though admittedly that risk receded slightly this week with some positive signals from Moodys. The outlook at present is for a quite sharp decline between February 20 and March 26 which encompasses the Budget and State of the Nation speeches, followed by recovery until October 12 and then declines into the New Year:



Pretty much the same outlook holds for the Blue-Chip index of South African shares which have been in decline since January 17 and are projected to continue falling until March 27 before entering a strong recovery phase that should see them climbing until late October before being subject to the Crash:



Collectively these signs suggest, at this stage anyway, that the Corona Virus outbreak is **NOT** the Black Swan event. But we will monitor it carefully.

The month ahead:

New York's SP500: I correctly predicted a decline which I expected to last until the end of February before the next up-phase began. Now we have had the first signs of an earlier recovery which thus suggests an up-phase until late March followed by down-hill until mid-May and then a long recovery.

London's Footsie: I correctly predicted declines until the end of January followed by a long very erratic recovery trend. I still see recovery beginning now but of shorter duration until the middle of the month before the next down phase to the end of the month and then another recovery until mid-April.

Hong Kong's Hangsen: I correctly predicted declines which I saw lasting until the first week of Apriland I continue to hold that view.

Japan's Nikkei: I correctly predicted a decline which I saw lasting until the end of February with a brief up-tick until the first week of February and just that is now under way.

Australia's All Ordinaries: I see a short recovery until late February followed by declines until late April.

JSE Industrial Index: I correctly predicted that the market had peaked and expected that it to be down-hill until the end of January. Now the expected recovery is under way and should last until mid to late February before the next decline begins lasting until mid-March.

Top 40 Index: I correctly predicted a volatile rising trend until mid-February followed by declines until mid-March.

ShareFinder Blue Chip Index: I correctly predicted a volatile declining trend which I now see lasting until early late March followed by a long recovery until mid-October.

Gold shares: I correctly predicted that the uptrend was over and continue to see declines until the end of July with a brief up-tick from mid-February to early March.

Gold Bullion: I correctly predicted a volatile decline which I still see lasting until the first week of March followed by a brief recovery until mid-April and then further declines until mid-June.

The Rand/US Dollar: I correctly predicted a sustained phase of weakness which I still see lasting until late March followed by a brief recovery until late-May.

The Rand/Euro: I correctly predicted weakness which I still expect to last until July.

The Predicts accuracy rate on a running average basis over the past 726 weeks has been 85.49%. For the past 12 months it has been 94.21%.

Returning to the Coronavirus, no cases have yet been reported in South Africa, but the National Department of Health (NDOH) says it has instituted measures to detect symptoms at important ports of entry.

Medical aid fund Bonitas has offered the following useful information:

Signs and symptoms

Reported illnesses have ranged from people with little to no symptoms, to people being severely ill. Symptoms may appear in as few as 2 days or as long as 14 days after exposure. Symptoms include fever, cough and shortness of breath, and these progress to severe illness signified by varied symptoms, including severe respiratory illness to multiple organ failure. The risk of being infected is higher for patients who may have underlying medical conditions.

Prevention

Currently there is no vaccine to prevent the novel Coronavirus infection, and the best way to prevent infection is to avoid close contact with people who show signs and symptoms of the virus; and implementing standard infection control precautions.

The following standard precautions should be followed:

- Wash your hands often with soap and water or alcohol-based sanitizer
- Avoid touching your eyes, nose, and mouth with unwashed hands
- Avoid close contact with people who are sick
- Stay at home if you are sick
- Practice cough etiquette, covering your cough or sneeze
- Clean and disinfect frequently touched objects and surfaces

Richard Cluver, January 31st 2020